



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Department of Administration

*For the Two Fiscal Years Ended
June 30, 2016*

NOVEMBER 2016

LEGISLATIVE AUDIT
DIVISION

16-13

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine whether an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) licenses.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by Government Auditing Standards. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2015, was issued March 29, 2016. The Single Audit Report for the two fiscal years ended June 30, 2017, will be issued by March 31, 2018. Copies of the Single Audit Report can be obtained by contacting:

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November 2016

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Administration (department) for the two fiscal years ended June 30, 2016. Included in this report are eight recommendations addressing internal control deficiencies, noncompliance with state laws related to timely payments and federal regulations related to the Schools and Roads - Grants to States program.

During the audit we focused our audit efforts on the department's activities related to bonds, transfers, inter-entity loans, long range building, lottery, health care benefits and federal programs. We also tested transactions on personal services and other services. Our audit work included understanding the department's internal control policies and procedures, performing analytical procedures, and reviewing accounting transactions. We also reviewed and tested compliance with selected state laws and department policy.

The department's written response to the audit recommendations is included in the audit report at page C-1. We thank the director and department staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

TABLE OF CONTENTS

Figures and Tables.....	ii
Appointed and Administrative Officials	iii
Report Summary	S-1
CHAPTER I – INTRODUCTION.....	1
Introduction.....	1
Department Organization and Functions.....	1
Internal Service Funds	4
Prior Audit Recommendations.....	6
Loss Mitigation Administration (14-13 Recommendation #1):.....	6
Montana Health Center Equipment (14-13 Recommendation #8):.....	6
Architecture & Engineering Pecuniary Interest (14-13 Recommendation #10):	6
Subrecipient Monitoring (14-13 Recommendation #12):	7
CHAPTER II – FINDINGS AND RECOMMENDATIONS.....	9
Negative Cash Balance.....	9
Internal Service Funds	10
Internal Controls.....	11
Lack of Support From Other Agencies	12
Subrecipient Monitoring	13
Counties Only Subject to During the Award Monitoring	14
Counties With Single or Program-Specific Audits	14
Information Technology Capital Projects	15
Accounting for Infrastructure Capital Projects	17
Cash Management Improvement Act	18
Noncompliance With State Law	19
INDEPENDENT AUDITOR’S REPORT AND DEPARTMENT FINANCIAL SCHEDULES	
Independent Auditor’s Report	A-1
Schedule of Changes in Fund Equity & Property Held in Trust for the Fiscal Year Ended June 30, 2016.....	A-3
Schedule of Changes in Fund Equity & Property Held in Trust for the Fiscal Year Ended June 30, 2015.....	A-4
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2016.....	A-5
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2015.....	A-6
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2016.....	A-7
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2015.....	A-8
Notes to the Financial Schedules	A-9
REPORT ON INTERNAL CONTROL AND COMPLIANCE	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	B-1
DEPARTMENT RESPONSE	
Department of Administration	C-1

FIGURES AND TABLES

Tables

Table 1	Internal Service Funds	5
Table 2	Information Technology Capital Projects	16

APPOINTED AND ADMINISTRATIVE OFFICIALS

Department of Administration

Sheila Hogan, Director

Mike Manion, Deputy Director and Chief Legal Counsel

Cheryl Grey, CPA, Administrator, State Financial Services Division

Thomas B. O'Connell, Administrator, Architecture and Engineering Division

Stephen Baiamonte, Administrator, General Services Division

Marilyn Bartlett, CPA, Administrator, Health Care and Benefits Division

Ron Baldwin, Chief Information Officer, State Information Technology Services Division

Melanie Griggs Hall, Commissioner, Banking and Financial Institutions Division

Brett Dahl, Administrator, Risk Management and Tort Defense Division

Angela Wong, Director, Montana State Lottery

Anjenette Schafer, Administrator, State Human Resources Division

Dave McAlpin, Chair, Montana Tax Appeal Board

The Public Employees' Retirement Administration, the Teachers' Retirement System, the Office of the State Public Defender, and the Montana State Fund, which are allocated to the department, are audited separately and financial information is not included in the department's financial schedules.

For additional information concerning the Department of Administration, contact:

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MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Department of Administration

For the Two Fiscal Years Ended June 30, 2016

NOVEMBER 2016

16-13

REPORT SUMMARY

The Department of Administration provides services to state government agencies for accounting, human resources, contracting, information technology, insurance, and state accounting policy. Our audit resulted in eight recommendations including deficiencies with validating supporting documentation, noncompliance with laws related to payments, and lack of subrecipient monitoring with federal funds.

Context

The Department of Administration (department) has over 500 employees and is responsible for providing the following services crucial to other state agencies: accounting and financial reporting, payroll and employee benefits, warrant writing, Capitol complex maintenance, state treasury, insurance and risk management, information systems development and maintenance, construction and remodeling of state buildings, human resources, purchasing, statewide leasing, and surplus property administration. The department accounts for activity in nearly every fund type applicable to state government. Over half of the department's revenue and expenditure activity is derived from functions accounted for in the department's Internal Service and Enterprise funds.

In fiscal years 2015 and 2016, the department received revenues from Internal Service Fund operations of approximately \$269.9 million and \$293.9 million respectively. We reviewed the fund equity balances and fees charged for each Internal Service Fund as required by §17-8-101(6), MCA. The results are shown on page 4.

Annually, the department receives federal moneys related to the harvest of timber on national forests within the boundaries of the

state. These moneys are distributed to counties in which the national forest lands are located and are to be used for the benefit of public schools and roads. In fiscal years 2015 and 2016, the department received and distributed \$17.8 million and \$15.9 million, respectively, under this program.

As required by statute or legislation, the department transfers funds to several other state agencies. Significant General Fund transfers include \$10.3 million to the long-range information technology program account, \$25 million to the teachers' retirement system pension trust fund, and \$50.3 million to the fire suppression fund.

Results

Our current audit report contains eight recommendations to the department. We are recommending the department comply with state law by restricting access to process transactions to a fund with negative cash balance, ensuring fees are commensurate with costs for internal service funds, and making payments to the State Auditor's Office and 9-1-1 Wireless Providers timely. State accounting policy is not being followed as the department is not recording required transactions associated with construction

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work in progress; internal controls were not established or followed for tracking activity related to appropriated funds; ensuring interest due to the federal government was accurate; and establishing internal controls for verifying information received from other agencies. Other recommendations relate to noncompliance with federal regulations for not conducting risk assessments and monitoring subrecipients regarding the Schools and Roads - Grants to States funds.

The prior audit report for the two fiscal years ended June 30, 2014, contained 13 recommendations. Of the 13, there were four recommendations partially implemented and nine implemented. The recommendations not fully implemented relate to loss mitigation activities, tagging and taking inventory for all state-owned equipment located at the Montana Health Center, implementing policies and procedures to identify pecuniary interest for construction projects, and conducting “during the award monitoring” and issuing management decisions and follow-up on audit findings of subrecipients of federal Schools and Roads - Grants to States funds as discussed in Recommendation #4.

Recommendation Concurrence	
Concur	7
Partially Concur	1
Do Not Concur	0
Source: Agency audit response included in final report.	

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 Call toll-free 1-800-222-4446, or e-mail ladhotline@mt.gov.

Chapter I – Introduction

Introduction

We performed a financial-compliance audit of the Department of Administration (department) for the two fiscal years ended June 30, 2016. The objectives of the audit were to:

1. Obtain an understanding of the department's control systems to the extent necessary to support our audit of the department's financial schedules and, if appropriate, make recommendations for improvement in management and internal control of the department.
2. Determine whether the department complied with selected state and federal laws and regulations.
3. Evaluate the implementation status of prior audit recommendations.
4. Determine whether the department's financial schedules present fairly the results of its operations and changes in fund equity and property held in trust for each of the two fiscal years ended June 30, 2016.

To address objectives 1 and 4, we focused our audit efforts primarily on activity related to bonds, transfers, inter-entity loans, long range building, lottery, health care benefits and the federal program Schools And Roads - Grants to States, among other programs. We also tested transactions related to personal services and other services. This included understanding the department's internal control policies and procedures, performing analytical procedures, and reviewing accounting transactions. We addressed objective 2 by reviewing and testing compliance with state laws and federal regulations. Our testing results from §17-8-101(6), MCA, related to internal service funds are on page 4. The results of objective 3 for the implementation of prior audit recommendations are discussed on page 6.

This report contains eight recommendations related to deficiencies in the department's internal controls, and compliance with department policies, state law, state accounting policy, and federal regulations.

Department Organization and Functions

The department provides services to other state agencies in the areas of accounting and financial reporting, payroll and employee benefits, warrant writing, Capitol complex maintenance, state treasury services, insurance and risk management, information systems development, construction and remodeling of state buildings, human resources, purchasing, statewide leasing, and surplus property administration. The department is organized into eight divisions. Activity related to the Montana State

Lottery and Montana Tax Appeal Board are reported in the department's financial information.

The following paragraphs describe the department's primary functions and list the authorized full-time equivalent (FTE) positions for fiscal year 2016.

Office of the Director (35.51 FTE): Responsible for the overall supervision and coordination of department programs and allocated boards and agencies. The office also provides management support (accounting, budgeting, payroll, personnel management, and legal services) to the department and supports the Board of Examiners.

State Financial Services Division (60.75 FTE): Establishes state accounting policies and procedures, operates the financial portion of the Statewide Accounting, Budgeting, and Human Resources System (SABHRS), administers the federal Cash Management Improvement Act (CMIA), processes warrants for all state agencies, and prepares the state's Basic Financial Statements. The division provides technical assistance and training to local government accounting and financial personnel. The division also provides the treasury function for state agencies and administers the social security program.

Architecture and Engineering (A&E) Division (16.50 FTE): Assists agencies and citizens of Montana in the design and construction of facilities, repairs and alterations of existing facilities, and planning for governmental and university system needs. The Long-Range Building Program (LRBP) is administered by A&E. It provides funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The LRBP activity is shown in the Corrections, Departments & Agencies, DPHHS, and University System programs listed on the Schedule of Expenditures.

Banking and Financial Institutions Division (35.80 FTE): Regulates many of the state's banks and financial institutions to provide Montanans with a system of state-chartered financial institutions.

General Services Division (71.85 FTE): Manages facilities leasing, and operations and maintenance services for state agencies in the Capitol complex and several state-owned buildings in the Helena area. It provides centralized mail services to state agencies located in the Helena area. The division also manages recycling and surplus property and provides security guidance to agencies across the state.

Health Care and Benefits Division (19.87 FTE): Manages the benefits for the state through a self-funded benefit plan. It provides group medical, dental, prescription drug,

life insurance, and other related group benefits. The division administers employees' flexible spending accounts and sick leave fund, and performs workers' compensation oversight via its workplace safety and return to work programs. The division also provides for the administration of the State's Voluntary Employees' Beneficiary Association.

State Information Technology Services Division (189.00 FTE): Establishes and enforces statewide information technology policies and standards. It provides computer processing services for state agencies that access the central servers and storage. It designs and develops data processing applications and provides maintenance support including disaster recovery facilities for critical data processing applications.

Risk Management and Tort Defense (17.00 FTE): Provides loss prevention services, insurance coverage, claims adjudication, and tort litigation representation to state agencies, universities, boards, councils, and commissions that serve the citizens of Montana. It evaluates and resolves property/casualty claims including auto, aviation, property, and tort liability. Settlements, legal fees, and other expenses are paid from the state self-insurance fund.

State Human Resources Division (41.00 FTE): Provides state agencies with human resource management services including training, position classification and pay, collective bargaining, and employee relations. Additionally, the division publishes state rules, standards, and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, and other matters. The division administers the state's human resources module within SABHRS, supplying payroll and other human resource information systems for state government.

Montana State Lottery (31.50 FTE): The Montana Lottery is operated by a five-member commission that has the power to operate a state lottery, determine the types and forms of lottery games, set the ticket price, number and size of prizes, conduct lottery drawings, enter into agreements to offer lottery games in conjunction with other lottery states and countries, and prepare financial reports. The Montana Lottery is attached to the department for administrative purposes. Legislative Audit Division performs biennial audits of lottery security, and the financial activity is audited annually by the Legislative Audit Division.

Montana Tax Appeal Board (5.50 FTE): Resolves tax appeals concerning real and personal property, income, corporate, natural resource, centrally assessed property, and new industry taxes. The three-member board and its staff are administratively attached to the department.

Internal Service Funds

During the audit, we reviewed the reasonableness of fees and charges and on the fund equity of the department's internal service funds as required by §17-8-101(6), MCA. The internal service fund accounts for the financing of goods or services provided by one department to other departments of state government or to other governmental entities on a cost-reimbursed basis. We considered fees commensurate with costs if working capital was positive and did not exceed 60 days of expenditure activity for the fund. State accounting policy defines working capital as the amount of cash that would remain if all of the current assets were converted, and all of the current liabilities paid, at their book value.

In the last two financial-compliance audit reports, we have reported that fees were not commensurate with costs or fund equity balances were not reasonable in at least four funds. In fiscal years 2015 and 2016, we reviewed all internal service funds and determined fees were not commensurate with costs or fund equity was not reasonable in the internal service funds listed on page 5. Since fees were commensurate with costs and fund equity was reasonable at the end of fiscal year 2016, we will not make a recommendation for the HR Info Services, Intergovernmental Training, Rent and Maintenance, and the Continuity Emergency Management funds. We will review compliance with this law for these funds during the next audit. The noncompliance with the SABHRS, Management Services, Workers' Compensation Management, Warrant Writing, and Group Benefits internal services funds are discussed in Recommendation #2 beginning on page 10.

Table 1 (see page 5) summarizes the department's internal service funds where we identified fees were not commensurate with costs or fund equity was not reasonable.

Table 1
Internal Service Funds

Internal Service Fund Name	Fees Not Commensurate With Costs	Fund Balance Not Reasonable
SABHRS - Provides services for the financial and budgeting portion of the Statewide Accounting, Budgeting, and Human Resources System.	FY2015 and FY2016	FY2015 and FY2016
Management Services - Coordinates preparation of the department's biennial budget for submission to the Office of Budget and Program Planning and its presentation to the legislature, processes budget change documents, and monitors approved budgets for compliance with state law and legislative intent. This also includes legal services which advises all divisions within the department on legal matters, and the human resource unit which processes payroll and provides human resource functions for all divisions of the department.	FY2015 and FY2016	
HR Info Services - Provides services for the human resources portion of SABHRS and for preparation and distribution of payroll and associated withholding and deductions of state employees.	FY2015	FY2015
Intergovernmental Training - Provides a variety of training products and facilitation services to state agencies.		FY2015
Rent and Maintenance - Provides maintenance, security, and custodial services for buildings in the state Capitol area.	FY2015	
Continuity Emergency Management - Established in fiscal year 2013-14 as part of the department's reorganization of various continuity and emergency management functions.		FY2015
Workers Compensation Management - Provides a way to manage and reduce the state's workers' compensation injuries and premiums.	FY2016	FY2016
Warrant Writing - Provides the warrant writer program to most state agencies for check writing and automatic deposit capabilities.	FY2016	FY2016
Group Benefits & Claims - Provides state employees, retirees, and their dependents with medical, dental, prescription drug, life insurance, and other related group benefits.		FY2015 and FY2016

Source: Compiled by the Legislative Audit Division.

Prior Audit Recommendations

The prior audit report for the two fiscal years ended June 30, 2014, contained 13 recommendations to the department. The department implemented nine and partially implemented four recommendations. Partially implemented recommendations are discussed below.

Loss Mitigation Administration (14-13 Recommendation #1):

We recommended the department approve only those loss mitigation activities meeting established criteria and clearly document its approval in relation to the type of future insured loss the mitigation activity addresses. The department's loss mitigation procedures require matching funds be identified on the application. If the cost for approved loss mitigation activities is less than indicated on the application, program procedures indicate the agency is still responsible for matching costs. The loss mitigation recommendation is considered partially implemented as procedures to collect the agreed upon cost for one out of the eight projects we reviewed was not followed. Since we only found one application that did not follow the procedure and the department agrees the cost agreed upon in the application is what should be paid by the agency, we make no further recommendation at this time.

Montana Health Center Equipment (14-13 Recommendation #8):

We recommended the department tag and inventory all state owned equipment located at the Montana Health Centers. The department put steps in place to tag and keep an inventory list of the laptops at health centers, however, all state-owned equipment was not tagged. We identified one laptop, one desktop computer, and one copy machine that was not tagged. There was also one laptop on the inventory list that was not present at the center during our visit. The department and the centers are aware and are taking steps to ensure inventory is tagged.

Architecture & Engineering Pecuniary Interest (14-13 Recommendation #10):

We recommended the department implement policies and procedures to identify pecuniary interest for construction projects. We considered it partially implemented as the department does have a conflict of interest policy in place to annually require agency personnel to disclose known conflicts, however, it does not have any procedures in place to ensure that conflicts do not arise throughout the year. The department stated a clause with additional information will be included in each future contract to certify there are no conflicts during the year, as contracts are put in place.

Subrecipient Monitoring (14-13 Recommendation #12):

We recommended the department implement procedures to conduct “during the award monitoring” to ensure subrecipients use federal Schools And Roads - Grants to States funds for allowable purposes. We further recommended the department issue management decisions and conduct follow-up on audit findings of subrecipients of federal Schools And Roads - Grants to States funds, as required by federal regulations. The department has implemented procedures pertaining to subrecipient monitoring, however, these procedures are focused on specific requirements but do not include all requirements, such as issuing management decisions or conducting follow-up on all audit findings of subrecipients. This issue is further discussed on page 13 as part of Recommendation #4.

Chapter II – Findings and Recommendations

Negative Cash Balance

Transactions are being processed when funds have a negative cash balance, contrary to state law.

Section 17-2-107, MCA, permits the Department of Administration (department) to authorize a temporary loan when the cash balance in a fund is insufficient. It further states the department is not permitted to process a transaction through the statewide accounting system for that fund when negative cash balance exists for more than seven working days. A department's cash balance could be negative for many reasons, including reimbursement based programs where the state is paying the obligations before the funds are received from the responsible party.

The department has procedures in place for monitoring negative cash balances in other state agencies. The department alerts the agencies when the cash balance is negative, however, the department is not restricting access to process transactions to the fund when it has a negative cash balance for more than seven working days. Our review found four agencies had a negative cash balance for more than seven working days and no loan was acquired. These agencies were still able to enter transactions against the fund, contrary to state law. Department staff stated in order to comply with state laws relating to timely disbursements, timely deposits, and timely payroll, transactions were processed in some funds with negative cash balances.

The department is not following state law and is allowing transactions to process within funds having a negative cash balance. The department should restrict access to the fund or require agencies to get an inter-entity loan.

RECOMMENDATION #1

We recommend the Department of Administration comply with state law by not processing transactions to a fund with negative cash or requiring inter-entity loans.

Internal Service Funds

Fees are not commensurate with costs as required by state law for four of the department's internal service funds and we found four funds do not have a reasonable fund equity balance.

In accordance with §17-8-101(6), MCA, which requires us to audit and report on internal service funds, we reviewed the rates charged and the fund equity of the department's internal service funds for the two fiscal years ended June 30, 2016. We considered fees commensurate with costs if working capital was positive and did not exceed 60 days of expenditure activity for the fund. State accounting policy defines working capital as the amount of cash that would remain if all of the current assets were converted, and all of the current liabilities paid, at their book value. As a result working capital is calculated by deducting total current liabilities from current assets. As shown in Table 1 on page 5, we found fees for the department's SABHRS, Management Services, Workers' Compensation Management, Warrant Writing, and Group Benefits internal service funds were not commensurate with costs during fiscal years 2015 and 2016, or fund equity was not reasonable at the end of fiscal years 2015 and 2016.

- ♦ **SABHRS:** Fees are not commensurate with costs and fund equity is not reasonable for fiscal year 2015 and 2016 because working capital exceeds 60 days of expenditure activity by approximately \$250,000 and \$475,000, respectively. Over the audit period, the ending fund balance has increased by almost \$1 million. Department staff stated fees increased mostly due to the acquisition and the implementation of the eMacs system. Unexpected revenues due to legislative changes contributed to a higher revenue amount in fiscal year 2016. It was further stated the majority of the fund equity is related to CWIP and intangible assets from the SABHRS software. A spend down plan is in place through the fiscal year 2018-19 biennium which projects no excess working capital at the end. The department further stated it monitors working capital balances throughout the year and implemented a plan to address the excess.
- ♦ **Management Services:** Fees are not commensurate with costs for fiscal year 2015 and 2016 because working capital exceeds 60 days of expenditure activity by approximately \$36,000 and \$80,000, respectively. Department staff stated in order to manage the fund it will either reduce its rate in fiscal year 2017 or increase one-time expenses.
- ♦ **Workers Compensation Management:** Fees are not commensurate with costs and fund equity is not reasonable for fiscal year 2016 because working capital exceeds 60 days of expenditure activity by approximately \$21,000. Department staff stated the majority relates to personal services costs and changes to the internal allocations to the programs which are being monitored.

- ♦ **Warrant Writing:** Fees are not commensurate with costs and fund equity is not reasonable for fiscal year 2016 because working capital exceeds 60 days of expenditure activity by approximately \$96,500. Department staff stated the rates for the biennium were the primary reason for the change in fund equity. The department further stated it continues to monitor this fund and if necessary, makes rate adjustments during the year to avoid excess working capital.
- ♦ **Group Benefits:** The fund equity was approximately \$16 million and \$7.9 million below the recommended reserve for fiscal years 2015 and 2016, respectively. Department staff stated it is working on slowly rebuilding this reserve to meet the actuarially established recommended reserve.

While the department monitors its internal service funds by holding quarterly budget reviews to discuss revenues, project expenses, and capital issues, the department has not made rate adjustments to prevent noncompliance with state law.

RECOMMENDATION #2

We recommend the Department of Administration adjust rates to ensure fees are commensurate with costs for SABHRS, Management Services, Workers' Compensation Management, Warrant Writing, and Group Benefits, as required by state law.

Internal Controls

State accounting policy requires management to establish and maintain agency internal controls. Internal control is a process, effected by an entity's oversight body, management, and other personnel, that provides reasonable assurance the objectives of an entity will be achieved. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. The following sections describe instances where, due to internal control deficiencies, the department did not comply with state law, federal regulations, or state accounting policy.

Lack of Support From Other Agencies

The department records transactions on the state's accounting records without independently confirming the accuracy of the reports and information provided by other state agencies.

The department is responsible for the state's General Fund and is charged with the distribution and receipt of different moneys, some of which are statutorily required. The department receives money from other agencies to deposit in the General Fund or to distribute to third parties. The department does not review the supporting numbers from the other agencies to validate the amounts are accurate. Since the department is not ensuring the accuracy of the information, and these transfers and distributions effect third parties, and in some instances the state as a whole, there is potential for errors. We noted the following instances during the audit. Unless otherwise noted, department staff stated a request for support will be requested in the future.

- ♦ The department receives revenue for criminal surcharges and clerk of court fees collected by the counties, remitted through the county collection reports, and deposited into the General Fund by the Department of Revenue. During fiscal years 2015 and 2016, surcharges deposited were \$1.4 million each fiscal year and clerk of court fees deposited were \$3.2 million and \$3.4 million, respectively. Department staff stated the collection process is highly automated to ensure that what is recorded in SABHRS matches the original data reported by each county. The department does not verify the accuracy of the amount deposited.
- ♦ The department receives emails each month from Montana Public Employees' Retirement Administration (MPERA) and Teachers' Retirement System with the amount of employer contributions to distribute from the General Fund in support of the state's retirement systems. Employer contributions for fiscal years 2015 and 2016 were approximately \$19 million each year. The department does not verify the accuracy of the amount distributed.
- ♦ The Department of Revenue determines the mineral impact allocation to counties and provides the department with the breakdown of how the funds should be distributed. Section 17-3-240 (3), MCA, requires the department to distribute the revenue to eligible counties based on a proportion of the total revenue generated. This is a single distribution completed once a year and will vary depending on the amount of federal revenues. The distribution takes place in August following the close of the fiscal year. The department uses the allocation provided by the Department of Revenue to create a multi-vendor voucher in SABHRS for the distribution to counties. Mineral impact allocations for fiscal years 2015 and 2016 were approximately \$9.5 million and \$8.9 million, respectively. The department does not verify the accuracy of the amount, which led to noncompliance with state law as the distribution was incorrect for both fiscal years by approximately \$283,000.

- ♦ The amounts for the fire suppression transfers are received from the Office of Budget and Program Planning with no supporting documentation. These transfers for fiscal years 2015 and 2016 were approximately \$3.7 million and \$50.3 million, respectively. The department does not verify the accuracy of the amount transferred.

The department's overreliance on third party information could lead to inaccurate and incomplete revenue and transfers. The department should obtain and review supporting documentation to ensure the data received is accurate.

RECOMMENDATION #3

We recommend the Department of Administration improve internal controls by obtaining and reviewing supporting documentation from other agencies related to deposits, transfers, and disbursements.

Subrecipient Monitoring

Contrary to federal regulations, the department does not monitor county use of funds for the Schools And Roads - Grants to States program.

In fiscal years 2015 and 2016, the department received and distributed \$17.8 and \$15.9 million, respectively, of federal funds to counties for the Schools And Roads - Grants to States program. These funds are received from the harvest of timber on national forests within the boundaries of the state and distributed to counties in which the national forest lands are located. It must be used for public roads and public schools of the county or counties in which the national forest is situated (called Title I funds), special projects on the federal land and on nonfederal land where projects would benefit the resources on the federal land (called Title II funds), and funds to counties to carry out projects to provide resources to homeowners in fire-sensitive ecosystems, reimbursing the participating county for county search and rescue and other emergency services performed on the federal land or to develop community wildfire protection plans (called Title III funds). Amounts payable to individual counties are calculated by the federal government. The department is considered a pass-through entity as it provides funds to a subrecipient to carry out part of a federal program. The counties are considered subrecipients as they receive funds from the department to carry out part of a federal program. Federal regulations require pass-through entities (the department) to establish and maintain effective internal controls to provide reasonable assurance the federal award is being administered in compliance with statutes, regulations, and

the terms and conditions of the federal award. Federal regulations also require “during the award monitoring” be conducted of subrecipients by the pass-through entity. This includes site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations and provisions of the award.

Federal regulation also requires each county that expends a total amount of federal awards equal to or in excess of a certain dollar amount to either have a single audit or a program-specific audit. Due to the implementation of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, or Uniform Guidance, the threshold was increased from \$500,000 in fiscal year 2015 to \$750,000 in fiscal year 2016. While all 34 counties are subject to “during the award monitoring”, only 18 meet the threshold requiring a single or program specific audit. We reviewed the department’s subrecipient monitoring procedures for all counties. The following paragraphs summarize the results of our review.

Counties Only Subject to During the Award Monitoring

We noted the following instances of noncompliance with “during the award monitoring” for the 16 counties that do not receive a single or program-specific audit.

- ♦ The department did not conduct “during the award monitoring” for any of these counties.
- ♦ The department did not have controls in place to ensure the counties receiving Title III federal funds hold a 45-day public comment period before the use of funds.
- ♦ The department did not have controls in place to ensure the counties submitted a certification that the funds were used for authorized expenditures, including a description of the amounts and their uses.

Counties With Single or Program-Specific Audits

We noted instances of noncompliance with “during the award monitoring” for the 18 counties that receive a single or program-specific audit. Federal regulations require a single or program-specific audit to be completed within nine months of the fiscal year-end; the department needs to issue management decisions on audit findings within six months of the receipt of the audit report; and the department needs to ensure the subrecipient takes timely and appropriate corrective action on all audit findings. Management decisions must “clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given.”

- ♦ The department did not issue a management decision to two of the counties within the required six-month time frame. It was not clearly stated whether

or not the audit findings were sustained or the reasons for the decision. Furthermore, the department did not provide a timetable for the auditee to follow-up on the management decisions.

In addition, for fiscal year 2016 federal regulations require the department to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Department staff stated they do not consider "during the award" monitoring or conducting risk assessments for the subrecipients to be cost beneficial. They also believe that tracking the counties receipt of the funds meets the monitoring requirements. However, tracking the counties deposit (receipt) of the funds does not identify instances where funds are spent on unauthorized uses. The department is not complying with federal regulations to evaluate each subrecipient, conduct monitoring, issuing decisions, and requiring timely responses and corrective action.

RECOMMENDATION #4

We recommend the Department of Administration implement internal controls and comply with federal regulations related to subrecipient monitoring for the Schools And Roads - Grants to States program to ensure:

- A. *Risk assessments are conducted for purposes of determining the appropriate subrecipient monitoring procedures.*
 - B. *Subrecipients use federal Schools & Roads - Grants to States funds for allowable purposes by conducting "during the award monitoring," issuing management decisions within the six-month time frame, with all required elements, and conducting follow-up on audit findings.*
-

Information Technology Capital Projects

The department is not following established internal controls to ensure compliance with appropriations related to long-range information technology capital projects.

2013 Laws, Chapter 383 appropriated \$14.7 million for long-range information technology capital projects. The department was appropriated the money to be used only for the information technology capital projects listed in the bill as shown on Table 2 (see page 16). After the appropriated amount is transferred to the department

shown in the table, the department is not tracking the use or amount of the funds expended for these projects.

Table 2
Information Technology Capital Projects

Department	Program	Amount Appropriated	Amount Spent as of 06/30/16
Department of Administration	Public Safety Communications System Maintenance and Operations	\$3,000,000	\$2,247,495
	Computerized Maintenance Management System	\$350,000	\$0
	Statewide Data Protection and Electronic Records Management/Electronic Content Management Matching Grants	\$3,000,000	\$2,045,335
Commissioner of Political Practices	Campaign Reporting Service/Database Rewrite	\$502,400	\$481,342
Department of Environmental Quality	Remediation Information Management System	\$1,800,000	\$713,111
Department of Transportation	Maintenance Management System	\$2,000,000	\$1,051,870
Secretary of State	Information Management System PHASE 2	\$4,078,385	\$1,172,991
Total		\$14,730,785	\$7,712,144

Source: Compiled by the Legislative Audit Division.

Department staff stated there is a process in place to track the cash flows of these projects but the spreadsheet was not completed in fiscal year 2016. However, the department did not follow the established procedures to track the money appropriated and did not have procedures in place to ensure that it was spent only for the approved projects.

RECOMMENDATION #5

We recommend the Department of Administration follow the established internal control procedures to ensure money appropriated for long-range information technology capital projects is spent only on approved projects.

Accounting for Infrastructure Capital Projects

The department does not have controls in place to ensure construction work-in-progress is accurate and accounted for in accordance with state accounting policy.

The department does not have any procedures in place to ensure that all capital projects not completed at fiscal year-end are included in construction work-in-progress (CWIP). During our audit, we also noted accounting entries that did not comply with state accounting policy.

State accounting policy requires specific accounting entries to be used for projects not completed at fiscal year-end in order to properly classify project costs, such as salary and travel, as capitalized or expensed. In fiscal year 2015, the department did not complete the final entry, and as a result, Other Services on the Schedule of Total Expenditures & Transfers-Out on page A-8 is overstated by \$2.6 million. Department staff stated the lack of procedures led to the incorrect and the incomplete entry.

State accounting policy requires upgrades, enhancements, or modifications to software to be capitalized only if they increase the functionality, efficiency, or useful life of the existing software. Each upgrade, enhancement, or modification should be treated as a separate asset subject to the respective capitalization requirements. Policy further states if the project has not been completed at year-end, any capitalizable costs should be added to the state's Asset Management system as CWIP. The department did not account for enhancements of the Risk Management & Tort Defense Division information technology software in accordance with state accounting policy.

Furthermore, the department capitalized salary and benefits involving enhancements that did not increase functionality, efficiency or useful life for existing information technology software in the Risk Management & Tort Defense Division, which should be considered maintenance and expensed as incurred. The department capitalized the amount of salary and benefits which were spent working on these enhancements. The amount of time spent on upgrades, enhancements and modifications meeting the capitalization criteria were not tracked separately from the amount of time spent on maintenance activities that should be expensed, and as such, we are unable to determine the misstatement amount. The amount recorded for fiscal years 2015 and 2016 totals \$1.9 million. Department staff stated the internal controls did not include receiving and verifying the amounts and other information pertaining to the enhancements from the other division in the department.

The department should develop internal control procedures to ensure CWIP is accounted for in accordance with state accounting policy.

RECOMMENDATION #6

We recommend the Department of Administration:

- A. *Implement internal control procedures to ensure that all capital projects and related costs are included in construction work-in-progress entries.*
 - B. *Record software enhancements and account for construction work-in-progress entries in accordance with state accounting policy.*
-

Cash Management Improvement Act

The department does not have adequate internal controls in place to ensure compliance with federal regulations and the Treasury State Agreement.

Federal regulations require the department to establish and maintain effective internal control to provide reasonable assurance the federal award is being administered in compliance with statutes, regulations, and the terms and conditions of the federal award. The department does not have adequate internal controls in place to ensure compliance with federal regulations and the Treasury State Agreement (TSA). The United States Treasury and the state of Montana enter into an annual TSA in order to minimize the time between payment of expenditures and drawing funds from the federal government and to set disbursement patterns. The TSA defines the terms for the transfer of financial assistance funds between the federal government and the state of Montana as prescribed under the Cash Management Improvement Act of 1990 (CMIA). The funding techniques, clearance patterns, and methods of interest rates for federal programs that meet the threshold are outlined in the TSA. An annual report must be submitted on the accounting for state and federal interest liabilities of the state's most recently completed fiscal year. After the TSA draft is submitted each year, the department creates a spreadsheet for each agency to determine state and federal interest liability based on federal cash receipts and expenditures for each federal program that meets the threshold. The spreadsheets are adjusted to reflect correct work days, holidays and any changes made to the funding techniques per the new TSA. State accounting policy states the department will prepare CMIA program interest calculation spreadsheet templates for agencies by June 30 before the fiscal year begins. The agencies are responsible for inputting information into the spreadsheets, which calculates the interest liability used to create the annual report submitted to the federal

government by the department. During the audit, we identified the following two issues of noncompliance.

- ♦ The interest calculated on 2 of the 15 programs covered by the TSA was incorrect. We recalculated the interest identified on the fiscal year 2015 annual report by using the CMIA spreadsheets submitted by the agencies to the department. Based on the actual activity of the programs, the first two spreadsheets we recalculated were incorrect and the actual interest owed to the federal government was approximately \$50 more than calculated by the agencies. Based on the audit work, there is risk that similar errors exist in the other spreadsheets.
- ♦ The percentages used for the clearance pattern on the fiscal year 2016 CMIA spreadsheet were incorrect for the Unemployment Insurance Program. If the agency uses this incorrect spreadsheet, it would lead to noncompliance with the TSA agreement as the drawing of funds and interest calculated based on the draws would be incorrect.

Department staff stated part of the process in preparing the annual report is to review the interest spreadsheets for accuracy, including the annual interest rate, clearance pattern percentages, and opening balances.

Since the department's internal control process includes only a high level review of these spreadsheets, the errors in the interest calculation were not identified by the department. By distributing the Unemployment Insurance Program spreadsheet with an error in it, the risk of the interest and draws not being correct increases.

RECOMMENDATION #7

We recommend the Department of Administration:

- A. *Enhance internal controls to ensure the Cash Management Improvement Act spreadsheets are accurate.*
 - B. *Comply with the Cash Management Improvement Act by including accurate clearance pattern and percentage on the spreadsheets.*
-

Noncompliance With State Law

The department was late in providing genetics program fees and 9-1-1 wireless provider payments as required by state law.

Section 33-2-712, MCA, requires a fee to be paid for each Montana resident insured under any individual or group disability or health insurance policy on February 1 of

each year. The insurer or health service corporation issuing the policy, and the state group health plan, shall pay a fee of \$1 to the commissioner, which is transferred as a genetics program fee to the State Auditor's Office on or before March 1 of each year. The department did not pay the fee of approximately \$30,000 until March 13 and March 9 in fiscal years 2015 and 2016, respectively. Department staff overlooked the payment.

Section 10-4-313, MCA, requires the department to distribute funds for the unpaid balances carried over by 9-1-1 wireless providers within 45 days of the end of the final quarter of each fiscal year. In fiscal year 2015, this distribution did not occur until 72 days after June 30, and for 57 days after June 30 in fiscal year 2016. Department staff stated in fiscal year 2015 the distribution was late due to turnover in the position. In fiscal year 2016 the distribution occurred within 45 working days. However, the law states within 45 days, not working days.

RECOMMENDATION #8

We recommend the Department of Administration comply with state law:

- A. *By submitting fees to the State Auditor's Office by March 1st of each year.*
 - B. *By distributing the amount determined by state law to wireless providers to reimburse the unpaid balances carried over by 9-1-1 wireless providers within 45 days of fiscal year-end.*
-

Independent Auditor's Report and Department Financial Schedules

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

Introduction

We have audited the accompanying Schedules of Changes in Fund Equity & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Administration (department) for each of the fiscal years ended June 30, 2016, and 2015, and the related notes to the financial schedules.

Management's Responsibility for the Financial Schedules

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with the regulatory format prescribed by the Legislative Audit Committee, based on the transactions posted to the state's accounting system without adjustment; this responsibility includes recording transactions in accordance with state accounting policy; and designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the department's preparation and fair presentation of the financial schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial schedules are prepared from the transactions posted to the state's primary accounting system without adjustment, in the regulatory format prescribed by the Legislative Audit Committee. This is a basis of accounting other than accounting principles generally accepted in the United States of America. The financial schedules are not intended to, and do not, report assets, liabilities, and cash flows.

The effects on the financial schedules of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinions on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" paragraph, the financial schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the department as of June 30, 2016 and June 30, 2015, or changes in financial position or cash flows for the years then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the Schedules of Changes in Fund Equity & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out, present fairly, in all material respects, the results of operations and changes in fund equity and property held in trust of the Department of Administration for each of the fiscal years ended June 30, 2016, and 2015, in conformity with the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, on our consideration of the Department of Administration's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

September 28, 2016

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Private Purpose Trust Fund	Pension Trust Fund	Unexpended Plant Fund	Renewal & Replacement Fund
FUND EQUITY: July 1, 2015	\$ 581,250,719	\$ 25,415,245	\$ 16,477	\$ 285,268	\$ 80,434,196	\$ 97,736	\$ 21,803,011	\$ 0	\$ 210,888	\$ 7,634,108	\$ (548,201)	\$ (36,140)
PROPERTY HELD IN TRUST: July 1, 2015								\$ 12,990,662				
ADDITIONS												
Budgeted Revenues & Transfers-In	30,541,152	7,228,391	16,395,470		18,066,748	69,246,376	292,694,385					
Nonbudgeted Revenues & Transfers-In	1,837,408	3,009,504	2,884	15,844,294	49,204	135,493	1,175,914		988,337	3,667,950		125,229
Prior Year Revenues & Transfers-In Adjustments	(90,580)	250				(49,720)	9,323		402,589			
Direct Entries to Fund Equity	(31,640,616)	22,650,186	(502)		6,571,993	146,433	1,389,785				12,114,962	771,482
Additions to Property Held in Trust								981,548,038				
Total Additions	647,364	32,888,332	16,397,852	15,844,294	24,687,945	69,478,582	295,269,407	981,548,038	1,390,926	3,667,950	12,114,962	896,711
REDUCTIONS												
Budgeted Expenditures & Transfers-Out	97,330,202	31,538,755	16,255,514		37,843,338	55,922,503	277,545,126				14,305,588	1,159,675
Nonbudgeted Expenditures & Transfers-Out	80,160,094	2,430,048	133,102	15,879,354	5,609,390	13,548,390	1,665,211		1,296,774	2,844,388		
Prior Year Expenditures & Transfers-Out Adjustments	(386,140)	468,266				(19,223)	77,300					
Reductions in Property Held in Trust								989,999,835				
Total Reductions	177,104,157	34,437,069	16,388,615	15,879,354	43,452,728	69,451,671	279,287,637	989,999,835	1,296,774	2,844,388	14,305,588	1,159,675
FUND EQUITY: June 30, 2016	\$ 404,793,926	\$ 23,866,507	\$ 25,714	\$ 250,208	\$ 61,669,412	\$ 124,648	\$ 37,784,781	\$ 0	\$ 305,040	\$ 8,457,670	\$ (2,738,826)	\$ (299,104)
PROPERTY HELD IN TRUST: June 30, 2016								\$ 4,538,865				

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Private Purpose Trust Fund	Pension Trust Fund	Unexpended Plant Fund	Renewal & Replacement Fund
FUND EQUITY: July 1, 2014	\$ 526,436,142	\$ 23,676,506	\$ (33,069)	\$ 550,397	\$ 90,599,622	\$ 2,709,175	\$ 49,061,797	\$ 0	\$ 199,845	\$ 7,072,519	\$ (56,650)	\$ (1,412,680)
PROPERTY HELD IN TRUST: July 1, 2014								\$ 4,334,153				
ADDITIONS												
Budgeted Revenues & Transfers-In	28,638,668	9,396,125	18,256,155		11,044,994	61,873,222	267,984,854					
Nonbudgeted Revenues & Transfers-In	801,337	3,221,827	851,285	59,987,648	200,228	50,711	1,791,217		2,537,171	3,106,707		
Prior Year Revenues & Transfers-In Adjustments	(165,756)	(214,422)	(474,544)		4,251	4,783	113,129		(1,468,483)			
Direct Entries to Fund Equity	157,789,537	27,086,621	487,698		8,455,512	(1,605,667)	(19,484,703)			(22,259)	10,176,128	4,481,652
Additions to Property Held in Trust								946,618,381				
Total Additions	187,063,787	39,490,151	19,120,594	59,987,648	19,704,985	60,323,048	250,404,498	946,618,381	1,068,688	3,084,448	10,176,128	4,481,652
REDUCTIONS												
Budgeted Expenditures & Transfers-Out	107,982,915	36,000,669	18,955,200		21,306,357	49,370,092	279,581,927				10,667,678	3,115,112
Nonbudgeted Expenditures & Transfers-Out	26,763,928	1,781,635	115,848	60,252,777	8,564,055	13,552,787	(1,417,212)		1,057,644	2,522,859		
Prior Year Expenditures & Transfers-Out Adjustments	(2,497,632)	(30,890)				11,607	(501,431)					(10,000)
Reductions in Property Held in Trust								937,961,872				
Total Reductions	132,249,211	37,751,414	19,071,048	60,252,777	29,870,412	62,934,487	277,663,284	937,961,872	1,057,644	2,522,859	10,667,678	3,105,112
FUND EQUITY: June 30, 2015	\$ 581,250,718	\$ 25,415,244	\$ 16,476	\$ 285,268	\$ 80,434,195	\$ 97,736	\$ 21,803,012	\$ 0	\$ 210,888	\$ 7,634,108	\$ (548,201)	\$ (36,140)
PROPERTY HELD IN TRUST: June 30, 2015								\$ 12,990,662				

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Private Purpose Trust Fund	Pension Trust Fund	Renewal & Replacement Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS											
Licenses and Permits		\$ 1,250,015				\$ 9,115					\$ 1,259,130
Taxes			\$ 32								32
Charges for Services	\$ 8,156,175	3,575,929			\$ 307,149	8,594,331	\$ 288,433,737				309,067,322
Investment Earnings	5,696,498	43,147	25	\$ 5	212,409	13,572	902,591		\$ 162,093		7,030,340
Fines and Forfeits	4,004,815					23,012	14,756				4,042,583
Capital Contributions						857,792	682,644				1,540,436
Sale of Documents, Merchandise and Property		240,255				59,700,519					59,940,774
Rentals, Leases and Royalties	24						675				699
Contributions and Premiums									3,505,284		3,505,284
Grants, Contracts, and Donations		318,100				55,736	565,951	\$ 1,390,926	573		2,331,286
Transfers-in	13,780,568	3,039,926	47,275	15,844,289	17,596,394	67,500	213,116			\$ 125,229	50,714,295
Capital Asset Sale Proceeds	18,404						6,353				24,757
Miscellaneous	384,554	1,770,773				10,573	1,635,294				3,801,194
Federal	246,941		16,351,022				1,424,505				18,022,467
Total Revenues & Transfers-In	32,287,980	10,238,145	16,398,354	15,844,294	18,115,952	69,332,149	293,879,622	1,390,926	3,667,950	125,229	461,280,600
Less: Nonbudgeted Revenues & Transfers-In	1,837,408	3,009,504	2,884	15,844,294	49,204	135,493	1,175,914	988,337	3,667,950	125,229	26,836,216
Prior Year Revenues & Transfers-In Adjustments	(90,580)	250				(49,720)	9,323	402,589			271,862
Actual Budgeted Revenues & Transfers-In	30,541,152	7,228,391	16,395,470	0	18,066,748	69,246,376	292,694,385	0	0	0	434,172,522
Estimated Revenues & Transfers-In	34,219,123	22,659,127	42,595,027		65,355,137	71,396,333	285,098,047				521,322,794
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (3,677,971)	\$ (15,430,736)	\$ (26,199,557)	\$ 0	\$ (47,288,389)	\$ (2,149,957)	\$ 7,596,338	\$ 0	\$ 0	\$ 0	\$ (87,150,272)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS											
Licenses and Permits		\$ (20,235)				\$ (5,885)					\$ (26,120)
Taxes	\$ (1)										(1)
Charges for Services	(1,434,393)	(600,209)			\$ (92,851)	(2,024,057)	\$ 9,217,021				5,065,512
Investment Earnings	(2,846,768)	4,777	\$ (376)		154,205	1,040	(232,180)				(2,919,302)
Fines and Forfeits	(315,078)					(6,614)					(321,692)
Capital Contributions						257,552					257,552
Sale of Documents, Merchandise and Property		20,255				(299,481)					(279,226)
Rentals, Leases and Royalties	1						(325)				(324)
Grants, Contracts, and Donations		279,393	(28,285)								251,108
Transfers-in	932,365	(5,728,924)	(22,356,715)		(47,349,744)	(67,500)	(1,199,884)				(75,770,402)
Capital Asset Sale Proceeds	(13,597)										(13,597)
Miscellaneous	320,179	(1,362,793)				(5,013)	(188,294)				(1,235,921)
Federal	(320,679)	(8,023,000)	(3,814,181)								(12,157,860)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (3,677,971)	\$ (15,430,736)	\$ (26,199,557)	\$ 0	\$ (47,288,389)	\$ (2,149,957)	\$ 7,596,338	\$ 0	\$ 0	\$ 0	\$ (87,150,272)

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Private Purpose Trust Fund	Pension Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS										
Licenses and Permits		\$ 1,414,159				\$ 10,505				\$ 1,424,664
Taxes			\$ 206							206
Charges for Services	\$ 7,879,500	3,640,666			\$ 414,872	8,766,266	\$ 255,367,644			276,068,949
Investment Earnings	3,841,653	12,266	29		78,596	4,692	680,100		\$ 79,449	4,696,785
Fines and Forfeits	3,958,444					90,252	116,146			4,164,841
Capital Contributions						682,985	180,913			863,899
Sale of Documents, Merchandise and Property		210,940				52,323,910	101			52,534,951
Rentals, Leases and Royalties	98						455			553
Contributions and Premiums									3,026,713	3,026,713
Grants, Contracts, and Donations		54,088				49,220	536,953	\$ 1,068,688	545	1,709,494
Transfers-in	13,067,364	3,594,882	922,794	\$ 17,604,857	10,756,004		9,575,974			55,521,875
Bond Proceeds				4,232,792						4,232,792
Capital Asset Sale Proceeds	54,174						4,956			59,131
Proceeds of Refunding Bonds				38,150,000						38,150,000
Miscellaneous	238,208	3,476,530				885	1,988,495			5,704,118
Federal	234,809		17,709,867				1,437,462			19,382,138
Total Revenues & Transfers-In	29,274,250	12,403,531	18,632,896	59,987,648	11,249,472	61,928,715	269,889,201	1,068,688	3,106,707	467,541,109
Less: Nonbudgeted Revenues & Transfers-In	801,337	3,221,827	851,285	59,987,648	200,228	50,711	1,791,217	2,537,171	3,106,707	72,548,132
Prior Year Revenues & Transfers-In Adjustments	(165,756)	(214,422)	(474,544)		4,251	4,783	113,129	(1,468,483)		(2,201,042)
Actual Budgeted Revenues & Transfers-In	28,638,668	9,396,125	18,256,155	0	11,044,994	61,873,222	267,984,854	0	0	397,194,019
Estimated Revenues & Transfers-In	34,106,946	9,681,357	23,290,321		87,757,082	78,610,260	263,284,140			496,730,107
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (5,468,278)	\$ (285,232)	\$ (5,034,166)	\$ 0	\$ (76,712,088)	\$ (16,737,038)	\$ 4,700,714	\$ 0	\$ 0	\$ (99,536,088)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS										
Licenses and Permits		\$ 649,159				\$ (4,495)				\$ 644,664
Taxes	\$ (1)									(1)
Charges for Services	(335,462)	(1,000,281)			\$ 68,796	608,063	\$ (3,531,221)			(4,190,104)
Investment Earnings	984,955	(10,788)	\$ (371)		(1,632)	(18,926)	(497,349)			455,889
Fines and Forfeits	(471,624)					64,354				(407,270)
Monetary Settlements							(20,000)			(20,000)
Capital Contributions						295,043				295,043
Sale of Documents, Merchandise and Property		35,940				(17,676,090)	(49,899)			(17,690,049)
Rentals, Leases and Royalties	75						(545)			(471)
Grants, Contracts, and Donations		(584,011)	(100,000)							(684,011)
Transfers-in	(2,712,636)	(1,864,020)	(28,285)		(76,779,252)		8,129,141			(73,255,051)
Capital Asset Sale Proceeds	22,173									22,173
Miscellaneous	(2,622,947)	2,488,771				(4,988)	270,586			131,421
Federal	(332,811)	(1)	(4,905,510)				400,000			(4,838,322)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (5,468,278)	\$ (285,232)	\$ (5,034,166)	\$ 0	\$ (76,712,088)	\$ (16,737,038)	\$ 4,700,714	\$ 0	\$ 0	\$ (99,536,088)

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Engineering Division	Banking and Financial Division	Corrections	Departments & Agencies	Director's Office	DPHHS	General Services Division	Health Care & Benefits Division	Information Tech Service Division	Montana State Lottery	Montana Tax Appeal Borad	Risk Management & Tort Defense	State Financial Services Division	State Human Resources Division	University System	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT																
Personal Services																
Salaries	\$ 1,102,691	\$ 2,032,377			\$ 2,029,634		\$ 2,850,531	\$ 1,354,960	\$ 12,251,221	\$ 1,613,698	\$ 314,372	\$ 1,186,371	\$ 3,195,145	\$ 2,373,590		\$ 30,304,590
Other Compensation					1,500				700	30,156						32,356
Employee Benefits	358,748	635,979			503,490		957,841	344,687	2,890,123	473,081	103,927	276,833	931,485	624,753		8,100,946
Personal Services-Other					(42,090)		62,903	(55,324)	117,840	4,621		(12,673)	28,032	39,476		142,785
Total	1,461,438	2,668,356			2,492,534		3,871,275	1,644,323	15,259,183	2,092,101	448,455	1,450,531	4,154,662	3,037,819		38,580,677
Operating Expenses																
Other Services	204,459	238,162			(4,478,628)		4,173,018	13,662,227	2,031,028	8,056,029	46,459	7,538,531	496,332	695,059		32,662,676
Supplies & Materials	22,808	68,312			47,998		275,113	42,030	7,968,128	251,183	6,502	34,166	106,841	601,884		9,424,965
Communications	24,482	40,289			38,535		4,598,909	149,163	7,147,217	719,410	23,502	(37,331)	321,512	42,769		13,068,458
Travel	35,726	262,537			42,220		6,511	20,322	122,533	53,300	11,776	31,551	30,279	58,783		675,537
Rent	61,968	162,062			82,083		1,919,921	414,595	2,133,818	501,929	46,156	77,564	123,719	143,217		5,667,032
Utilities							2,119,671		113,206	17,868		5,938				2,256,683
Repair & Maintenance	3,516	160			33,831		1,371,807	5,307	6,097,117	31,634	75	2,367	1,225,176	394,423		9,165,413
Other Expenses	137,754	158,683	\$ 356,005	\$ 118,089	522,960		2,634,198	1,560,508	6,470,394	34,446,276	21,946	(29,317)	3,710,247	451,781	\$ 12,267	50,571,790
Goods Purchased For Resale							2,760,017	890		1,140,596			34			3,901,537
Total	490,712	930,205	356,005	118,089	(3,711,001)		19,859,165	15,855,040	32,083,441	45,218,226	156,416	7,623,469	6,014,140	2,387,916	12,267	127,394,091
Equipment & Intangible Assets																
Equipment	5,875							(26,084)	1,853,806	96,780						1,930,377
Intangible Assets					837,843							(1,525,114)				(687,271)
Total	5,875				837,843			(26,084)	1,853,806	96,780		(1,525,114)				1,243,106
Capital Outlay																
Land & Interest In Land						\$ 843,053									671,719	671,719
Buildings			1,828,781	5,427,317	3,922,124		(536,492)								40,092,803	48,191,954
Other Improvements																3,385,631
Total			1,828,781	5,427,317	3,922,124	843,053	(536,492)								40,764,522	52,249,304
Local Assistance																
From State Sources					44,907,964						24,784					44,932,748
From Federal Sources					24,980,137											24,980,137
Total					69,888,101						24,784					69,912,885
Grants																
From State Sources									11,780,323							11,780,323
Grant To Governmental Entities												345,356				345,356
Total									11,780,323			345,356				12,125,679
Benefits & Claims																
To Individuals								237,500								237,500
From State Sources								182,645,709						113,369		182,759,078
Insurance Payments								(155,689)				1,896,829				1,741,140
Total								182,727,520				1,896,829		113,369		184,737,718
Transfers-out																
Fund transfers	1,777,350		238,935	6,967,627	113,753,698		307,501	4,684	2,455,265	12,844,682		200,116	2,627,137		10,450	141,187,446
Intra-Entity Expense					9,538,000											9,538,000
Total	1,777,350		238,935	6,967,627	123,291,698		307,501	4,684	2,455,265	12,844,682		200,116	2,627,137		10,450	150,725,446
Debt Service																
Bonds					15,290,335											15,290,335
Loans							56,196		15,905							72,100
Capital Leases							2,972		39,685	1,297						43,954
Total					15,290,335		59,168		55,589	1,297						15,406,389
Post Employment Benefits																
Other Post Employment Benefits					70,519		179,970	66,088	465,476	88,769		47,137	76,507	70,378		1,064,844
Employer Pension Expense					147,564		251,263	130,196	1,069,271	141,852		107,817	165,830	153,723		2,167,516
Total					218,083		431,233	196,284	1,534,747	230,621		154,954	242,337	224,101		3,232,360
Total Expenditures & Transfers-Out	\$ 3,735,375	\$ 3,598,561	\$ 2,423,721	\$ 12,513,033	\$ 212,229,718	\$ 843,053	\$ 23,965,765	\$ 200,427,852	\$ 65,022,354	\$ 60,483,707	\$ 629,655	\$ 10,146,142	\$ 13,038,276	\$ 5,763,205	\$ 40,787,239	\$ 655,607,656
EXPENDITURES & TRANSFERS-OUT BY FUND																
General Fund				\$ 74,780	\$ 168,076,462	\$ (2,435)	\$ 1,675,336		\$ 309,757		\$ 629,655		\$ 4,956,251	\$ 1,384,351		\$ 177,104,157
State Special Revenue Fund	\$ 1,958,026	\$ 3,598,561	\$ 239,175	4,619,841	8,913,156		85,000		13,080,157	\$ 199,253		\$ 200,116	1,533,333		10,450	34,437,069
Federal Special Revenue Fund				3,281	16,247,079				137,364				892			16,388,615
Debt Service Fund					15,879,354											15,879,354
Capital Projects Fund	1,777,350		1,769,070	7,732,883	388,900	845,489			5,639,778						25,299,259	43,452,728
Enterprise Fund			1,361				1,149,558	\$ 7,400,623		60,284,454			615,675			69,451,671
Internal Service Fund			414,116	82,249	2,724,767		21,055,870	190,182,841	45,855,297			9,946,025	4,635,350	4,378,855	12,267	279,287,637
Private Purpose Trust Fund													1,296,774			1,296,774
Pension Trust Fund																2,844,388
Unexpended Plant Fund															14,305,588	14,305,588
Renewal & Replacement Fund															1,159,675	1,159,675
Total Expenditures & Transfers-Out	3,735,375	3,598,561	2,423,721	12,513,033	212,229,718	843,053	23,965,765	200,427,852	65,022,354	60,483,707	629,655	10,146,142	13,038,276	5,763,205	40,787,239	655,607,656
Less: Nonbudgeted Expenditures & Transfers-Out	1,729,983	(3,658)	(147,081)	2,471,843	96,225,978	45,349	655,393	2,288,349	7,885,810	13,198,294	(603)	(2,642,000)	2,054,097	(195,003)		123,566,751
Prior Year Expenditures & Transfers-Out Adjustments		(918)			(384,841)	(2,435)	329,944	4,500	395,345	(37,319)	1,177	(532,653)	346,613	20,790		140,204
Actual Budgeted Expenditures & Transfers-Out	2,005,392	3,603,137	2,570,802	10,041,190	116,388,581	800,140	22,980,427	198,135,003	56,741,199	47,322,732	629,081	13,320,794	10,637,565	5,937,418	40,787,239	531,900,701
Budget Authority	2,224,549	4,393,679	6,929,603	143,942,154	119,173,985	42,385,653	23,553,509	218,993,957	107,872,739	51,352,496	731,241	20,219,393	11,203,504	6,444,326	298,156,685	1,057,577,473
Unspent Budget Authority	\$ 219,157	\$ 790,542	\$ 4,358,801	\$ 133,900,964	\$ 2,785,403	\$ 41,585,514	\$ 573,082	\$ 20,858,954	\$ 51,131,540	\$ 4,029,764	\$ 102,160	\$ 6,898,599	\$ 565,939	\$ 506,908	\$ 257,369,446	\$ 525,676,773
UNSPENT BUDGET AUTHORITY BY FUND																
General Fund				\$ 20,392	\$ 329,806		\$ 4,102		\$ 72,321		\$ 102,160		\$ 259,785	\$ 398,143		\$ 1,186,709
State Special Revenue Fund	\$ 219,157	\$ 790,542	\$ 41,002	40,069,136	155	7,357,598			7,291,493	\$ 20,747		\$ 999,884	26,539		100,536	56,916,789
Federal Special Revenue Fund			1,000,000	21,197,644	2,129,606	12,075,328			37,371,869				845		2,424,012	76,199,303
Capital Projects Fund			2,233,570	72,363,792		22,152,588			4,564,180						38,190,909	139,505,040
Enterprise Fund			426,883				81,137	\$ 2,038,837		4,009,017			49,203			6,605,078
Internal Service Fund			657,347	250,000	325,836		487,843	18,820,117	1,831,677			5,898,715	229,566	108,765	133,665	28,743,531
Unexpended Plant Fund															197,838,057	197,838,057
Renewal & Replacement Fund															18,682,267	18,682,267
Unspent Budget Authority	\$ 219,157	\$ 790,542	\$ 4,358,801	\$ 133,900,964	\$ 2,785,403	\$ 41,585,514	\$ 573,082	\$ 20,858,954	\$ 51,131,540	\$ 4,029,764	\$ 102,160	\$ 6,898,599	\$ 565,939	\$ 506,908	\$ 257,369,446	\$ 525,676,773

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF ADMINISTRATION
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Architecture & Engineering Division	Banking and Financial Division	Corrections	Departments & Agencies	Director's Office	DPHHS	General Services Division	Health Care & Benefits Division	Information Tech Services Division	Montana State Lottery	Montana Tax Appeal Board	Risk Management & Tort Defense	State Financial Services Division	State Human Resources Division	University System	Total
Personal Services																
Salaries	\$ 1,082,678	\$ 2,189,671			\$ 1,835,357		\$ 3,314,824	\$ 1,385,795	\$ 12,771,559	\$ 1,548,221	\$ 304,299	\$ 922,658	\$ 2,701,179	\$ 2,370,468		\$ 30,426,709
Other Compensation										1,200	4,410					5,610
Employee Benefits	349,680	703,674			352,177		1,076,161	337,308	2,831,139	434,619	97,001	156,115	719,354	635,653		7,692,882
Personal Services-Other					88,437		(3,622)	46,718	5,092	15,278		33,595	(14,838)	38,352		209,012
Total	<u>1,432,358</u>	<u>2,893,345</u>			<u>2,275,971</u>		<u>4,387,363</u>	<u>1,769,821</u>	<u>15,607,790</u>	<u>1,999,318</u>	<u>405,710</u>	<u>1,112,368</u>	<u>3,405,696</u>	<u>3,044,473</u>		<u>38,334,212</u>
Operating Expenses																
Other Services	(26,861)	283,972			238,746		4,017,047	13,696,145	2,106,652	6,548,920	29,264	7,443,885	540,231	821,721		35,699,721
Supplies & Materials	21,459	35,670			45,277		413,129	48,297	745,782	169,361	10,886	33,259	66,338	91,400		1,680,858
Communications	29,874	39,217			42,904		4,102,794	121,898	7,899,064	593,925	9,504	83,562	324,476	39,713		13,286,931
Travel	34,794	264,201			20,465		54,695	26,100	170,069	44,386	14,615	37,763	22,697	37,930		727,718
Rent	53,052	159,076			72,077		1,443,095	466,276	10,178,584	610,377	46,593	77,549	135,954	118,650		13,361,285
Utilities							2,123,037		123,925	18,916		5,774				2,271,651
Repair & Maintenance	3,395	464			113,858		1,161,171	19,850	1,980,039	21,984	130	4,864	829,781	214,003		4,349,540
Other Expenses	142,850	180,336	\$ 178,779	\$ 105,111	332,564		2,079,371	2,091,229	2,735,474	30,119,276	24,284	960,080	2,959,227	301,419	\$ 67,455	42,277,455
Goods Purchased For Resale							3,099,531			905,617						4,005,148
Total	<u>258,564</u>	<u>962,937</u>	<u>178,779</u>	<u>105,111</u>	<u>865,891</u>		<u>18,493,870</u>	<u>16,469,795</u>	<u>25,939,589</u>	<u>39,032,762</u>	<u>135,277</u>	<u>8,646,735</u>	<u>4,878,704</u>	<u>1,624,836</u>	<u>67,455</u>	<u>117,660,306</u>
Equipment & Intangible Assets																
Equipment							(45,410)		(161,990)							(207,400)
Total							<u>(45,410)</u>		<u>(161,990)</u>							<u>(207,400)</u>
Capital Outlay																
Buildings			4,556,530	8,239,783		\$ 807,735									19,563,977	33,168,025
Total			<u>4,556,530</u>	<u>8,239,783</u>		<u>807,735</u>									<u>19,563,977</u>	<u>33,168,025</u>
Local Assistance																
From State Sources					44,370,369						3,539					44,373,909
From Federal Sources					27,482,374											27,482,374
Total					<u>71,852,743</u>						<u>3,539</u>					<u>71,856,283</u>
Grants																
From State Sources									14,002,831							14,002,831
Grant To Governmental Entities												462,852				462,852
Total									<u>14,002,831</u>			<u>462,852</u>				<u>14,465,683</u>
Benefits & Claims																
To Individuals								1,524,711								1,524,711
From State Sources								183,051,956								183,051,956
Insurance Payments								(4,074,659)				6,222,728				2,148,069
Other Financing Uses/Deduction					42,602,993											42,602,993
Total					<u>42,602,993</u>			<u>180,502,007</u>				<u>6,222,728</u>				<u>229,327,729</u>
Transfers-out																
Fund transfers	2,101,737		175,662	6,967,089	64,170,854	139,472	1,257,074		5,905,644	12,367,145		8,579,141	1,057,644	98,603	619,614	103,439,679
Intra-Entity Expense					9,005,000											9,005,000
Total	<u>2,101,737</u>		<u>175,662</u>	<u>6,967,089</u>	<u>73,175,854</u>	<u>139,472</u>	<u>1,257,074</u>		<u>5,905,644</u>	<u>12,367,145</u>		<u>8,579,141</u>	<u>1,057,644</u>	<u>98,603</u>	<u>619,614</u>	<u>112,444,679</u>
Debt Service																
Bonds					17,290,195											17,290,195
Loans							40,907									40,907
Capital Leases							5,420		3,256	5,360						14,036
Total					<u>17,290,195</u>		<u>46,327</u>		<u>3,256</u>	<u>5,360</u>						<u>17,345,138</u>
Post Employment Benefits																
Other Post Employment Benefits					69,949		186,144	67,029	500,436	90,075		51,064	84,062	67,576		1,116,335
Employer Pension Expense					103,298		188,139	94,133	830,695	104,639		80,462	128,423	105,146		1,634,936
Total					<u>173,247</u>		<u>374,283</u>	<u>161,162</u>	<u>1,331,131</u>	<u>194,714</u>		<u>131,526</u>	<u>212,485</u>	<u>172,722</u>		<u>2,751,271</u>
Total Expenditures & Transfers-Out	\$ <u>3,792,658</u>	\$ <u>3,856,282</u>	\$ <u>4,910,970</u>	\$ <u>15,311,984</u>	\$ <u>208,236,894</u>	\$ <u>947,207</u>	\$ <u>24,513,506</u>	\$ <u>198,902,787</u>	\$ <u>62,628,251</u>	\$ <u>53,599,301</u>	\$ <u>544,526</u>	\$ <u>25,155,351</u>	\$ <u>9,554,529</u>	\$ <u>4,940,634</u>	\$ <u>20,251,045</u>	\$ <u>637,145,925</u>
EXPENDITURES & TRANSFERS-OUT BY FUND																
General Fund			\$ 100,000	\$ 101,544	\$ 117,476,866	\$ 127,112	\$ 2,343,725		\$ 474,754		\$ 544,526	\$ 6,000,000	\$ 3,705,265	\$ 1,375,418		\$ 132,249,211
State Special Revenue Fund	\$ 1,690,922	\$ 3,856,282	75,662	5,133,314	9,612,461	4,370	768,202	65,458	13,769,009	173,342		2,579,141			\$ 23,251	\$ 37,751,414
Federal Special Revenue Fund				181,671	18,139,153				398,991				23		351,209	19,071,048
Debt Service Fund					60,252,777											60,252,777
Capital Projects Fund	2,101,737		3,539,477	9,830,449	389,473	815,725			7,157,210						6,036,341	29,870,412
Enterprise Fund			363,542				1,284,432	7,305,372		53,425,959			555,182			62,934,487
Internal Service Fund			832,289	65,006	2,366,163		20,117,148	189,009,097	40,828,287			16,576,209	4,236,414	3,565,216	67,455	277,663,285
Private Purpose Trust Fund													1,057,644			1,057,644
Pension Trust Fund								2,522,859								2,522,859
Unexpended Plant Fund															10,667,678	10,667,678
Renewal & Replacement Fund															3,105,112	3,105,112
Total Expenditures & Transfers-Out	3,792,658	3,856,282	4,910,970	15,311,984	208,236,894	947,207	24,513,506	198,902,787	62,628,251	53,599,301	544,526	25,155,351	9,554,529	4,940,634	20,251,045	637,145,925
Less: Nonbudgeted Expenditures & Transfers-Out	2,101,737		180,913	2,140,933	87,208,550		1,661,114	(1,476,693)	7,045,881	12,832,914		(87,143)	1,268,962	317,153		113,194,321
Prior Year Expenditures & Transfers-Out Adjustments	(63,007)	111	(2,135)	(11,869)	(2,638,610)	(36,420)	208,906	2,912	(78,559)	14,801	(13,310)	(6,553)	(10,643)	(383,970)	(10,000)	(3,028,346)
Actual Budgeted Expenditures & Transfers-Out	1,753,929	3,856,171	4,732,192	13,182,919	123,666,954	983,627	22,643,487	200,376,567	55,660,928	40,751,586	557,835	25,249,047	8,296,211	5,007,451	20,261,045	526,979,948
Budget Authority	2,082,930	3,983,581	11,132,170	162,968,540	132,499,169	43,410,735	24,058,799	202,133,854	98,378,262	43,632,332	615,112	29,553,200	9,318,795	5,271,765	311,114,568	1,080,153,813
Unspent Budget Authority	\$ 329,001	\$ 127,410	\$ 6,399,978	\$ 149,785,621	\$ 8,832,216	\$ 42,427,108	\$ 1,415,312	\$ 1,757,287	\$ 42,717,334	\$ 2,880,746	\$ 57,277	\$ 4,304,153	\$ 1,022,584	\$ 264,315	\$ 290,853,523	\$ 553,173,864
UNSPENT BUDGET AUTHORITY BY FUND																
General Fund					\$ 4,360,302		\$ 25,235		\$ 1,398		\$ 57,277		\$ 61,805	\$ 180,189		\$ 4,686,205
State Special Revenue Fund	\$ 329,001	\$ 127,410	\$ 119,735	\$ 49,723,022	1,458,400	\$ 7,367,848	1,876		3,285,514	\$ 11,658		\$ 859			\$ 298,346	62,723,668
Federal Special Revenue Fund			1,000,000	21,254,029	2,700,221	12,075,328			35,372,710				1,042		2,549,241	74,952,571
Capital Projects Fund			3,827,456	78,483,576	53	22,983,932			3,293,984						62,942,521	171,531,522
Enterprise Fund			428,244				5,744	\$ 56,814		2,869,087			186,457			3,546,346
Internal Service Fund			1,024,544	324,994	313,239		1,382,457	1,700,473	763,727			4,303,294	773,281	84,126		10,670,137
Unexpended Plant Fund															207,806,533	207,806,533
Renewal & Replacement Fund															17,256,882	17,256,882
Unspent Budget Authority	\$ 329,001	\$ 127,410	\$ 6,399,978	\$ 149,785,621	\$ 8,832,216	\$ 42,427,108	\$ 1,415,312	\$ 1,757,287	\$ 42,717,334	\$ 2,880,746	\$ 57,277	\$ 4,304,153	\$ 1,022,584	\$ 264,315	\$ 290,853,523	\$ 553,173,864

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

Department of Administration

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2016

1. Summary of Significant Accounting Policies

Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, Capital Projects, Debt Service, Unexpended Plant, and Renewal and Replacement). In applying the modified accrual basis, the department records:

- ◆ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ◆ Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual and sick leave when used or paid.

The department uses accrual basis accounting for its Proprietary (Enterprise and Internal Service) and Fiduciary (Private-Purpose Trust, Pension Trust, and Agency) fund categories. Under the accrual basis, as defined by state accounting policy, the department records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format was adopted by the Legislative Audit Committee. The financial schedules were prepared from the transactions posted to the state's accounting system without adjustment.

In order to reflect the total department operations, the financial schedules present the combined operations of two separate business units, Department of Administration and Long-Range Building, identified on the state's accounting system.

The department uses the following funds:

Governmental Fund Category

- ♦ **General Fund** – to account for all financial resources except those required to be accounted for in another fund. Activity in the General Fund consists primarily of Legislatively mandated transfers-out and contributions to the Teachers Retirement System.
- ♦ **State Special Revenue Fund** – to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditures for specific state program purposes. Department State Special Revenue Funds include Architecture and Engineering Construction, Banking and Financial Institutions Division, 911 Telecommunications Program, and Mineral Impact.
- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Department Federal Special Revenue Funds include Homeland Security Grant, Federal Forest Reserve, and Public Safety Communication funds.
- ♦ **Debt Service Fund** – to account for accumulated resources for the payment of general long-term debt principal and interest. The department uses this fund primarily for the Long Range Building Program.
- ♦ **Capital Projects Fund** – to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. The department uses this fund to account for activity in the Long-Range Building Program and for Long-Range Information Technology projects.

Proprietary Fund Category

- ♦ **Internal Service Fund** – to account for the financing of goods or services provided by one department or agency to other departments or agencies of state government or to other governmental entities on a cost-reimbursement basis. The department administers twelve Internal Service Funds, the three largest of which are State Information Technology Services Division, Group Benefits, and Agency Insurance.
- ♦ **Enterprise Fund** – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the department finance or recover costs primarily through user charges; (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate; (c) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (d) when laws or regulations require that the activities' cost of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. Department Enterprise Funds include flexible spending, state lottery, and surplus property.

Fiduciary Fund Category

- ♦ **Pension Trust Fund** – to account for resources required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. Department pension trust funds include the Voluntary Employee Beneficiary Association Trust.
- ♦ **Private-Purpose Trust Fund** – to account for activity of any trust arrangement not otherwise properly reported in a pension fund or an investment trust fund where the principal and income benefit individuals, private organizations, or other governments. Department private-purpose trust funds include Stale-Dated Warrants.
- ♦ **Agency Fund** – to account for resources held by the state in a custodial capacity. Agency funds may be used on a limited basis for internal (to the State) clearing account activity but these must have a zero balance at fiscal year-end. The department agency funds include Central Payroll and Federal Withholding.

Plant Funds – to account for transactions related to construction of university properties. Because the Architecture and Engineering Division expends funds for university construction projects, the department records activity in the following sub-funds:

- ♦ Unexpended Plant Fund – comprised of amounts which have been appropriated or designated for construction or purchase of university improvements, buildings, and equipment.
- ♦ Renewal and Replacement Fund – provide resources for the remodeling or replacement of university properties.

2. General Fund Equity

The department has authority to pay obligations from the statewide General Fund within its appropriation limits. The department's total assets placed in the fund exceed outstanding liabilities, resulting in positive ending fund equity balances for each of the fiscal years ended June 30, 2015, and June 30, 2016. As stated in note 3, the department is the administrator of the General Fund. As a result, the cash balances in the General Fund at fiscal year-end for all other state agencies are closed and recorded on the department's accounting records.

3. Direct Entries to Fund Equity

Direct entries to fund equity in the General, State Special Revenue, Federal Special Revenue, Capital Projects, Internal Service, Enterprise, Unexpended Plant, and Renewal and Replacement Funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

The department is the administrator of the General Fund. The direct entry to fund equity in the amount of \$157,789,537 in FY 2015 and -\$31,640,616 in FY 2016 reflects the department closing cash balances of other agencies sharing the General Fund. The General Fund's fund equity shown on the Schedule of Changes in Fund Equity and Property Held in Trust is not the total fund equity of the state's General Fund.

4. Related-Party Transactions

Current and past staff members in the Department of Administration, Health Care and Benefits Division, have served on Board of Directors of the Montana Association of Health Care Purchasers (MAHCP) for no remuneration. A member from the Department served on the board through December 31, 2015. The Department paid this association \$1.25 per member per year through December 31, 2015, to maintain its membership. The Department transitioned from a full member to an associate member of the MAHCP effective January 1, 2016. Associate membership does not require a membership fee, but no longer provides a seat on the board. The Department also paid MAHCP \$0.71 per script for URx program administration, which includes the Ask-A-Pharmacist Program. The Montana University System is also a member of this organization.

5. Unspent Budget Authority

On the Schedule of Total Expenditures and Transfers out for fiscal years 2015 and 2016, the columns titled Departments & Agencies, DPHHS, Health Care & Benefits Division, Information Technology Services Division, and University System have material unspent budget authority amounts. Most of these amounts are related to active projects administered by the Long-Range Building Program or the Long-Range Information Technology Program. The entire estimated cost of a project is encumbered when the project is started. Many projects are not completed in one fiscal year, resulting in unspent budget authority amounts on the schedule. The unspent budget amounts represent estimated costs to complete the active projects. The amount for Health Care & Benefits Division is due to health plan expenditures that were significantly less than anticipated for fiscal year 2016. Projections for each biennium occur approximately two years prior and are difficult to predict.

6. Transfer Activity

Detail on department's significant transfer activity for fiscal years 2015 and 2016 is detailed in the list below.

- ♦ The department is responsible for making debt service payments on behalf of most state agencies for bonds issued by the state. Debt service payments are made twice per year on outstanding bonds. Prior to making the bond

payments, the department transferred approximately \$14.1 million in FY 2015 and \$12.1 million in FY 2016 from the General Fund to the Debt Service Fund. The department made bond payments totaling \$16,835,301 in FY 2015 and \$15,284,391 in FY 2016.

- ◆ State law requires transfers from the General Fund to the Montana State Fund's Old Fund in the event that the Old Fund assets are not sufficient to cover benefits being claimed for injuries sustained prior to July 1, 1990. In fiscal year 2011, the Old Fund
- ◆ Assets were completely liquidated. General Fund transfers to the Old Fund were \$9,005,000 in FY 2015 and \$9,538,000 in FY 2016.
- ◆ House Bill 622 and House Bill 626 of the 62nd (2011) and 63rd (2013) Legislative Sessions, respectively, required the department to transfer a specified percentage of General Fund motor vehicle revenue to other state departments for various programs per MCA, 15-1-122, which was \$5,421,498 in FY 2015 and \$6,744,872 in FY 2016.
- ◆ Senate Bill 553 of the 60th (2007) Legislative Session required a General Fund transfer of \$227,285 for a rural physician's tax credit to the Commissioner of Higher Education. The transfer occurred in both FY 2015 and FY 2016.
- ◆ Senate Bill 166 and Senate Bill 243 of the 60th (2007) Legislative Session requires the department to reimburse annually from the General Fund the Department of Fish, Wildlife and Parks the issuance fee for fishing and hunting licenses to resident purple heart recipients and military recognition licenses. \$56,724 was transferred in FY 2015 and \$42,247 was transferred in FY 2016.
- ◆ House Bill 2 of the 64th (2015) Legislative Session granted the department's Risk Management and Tort Defense Division a supplemental appropriation of \$6 million to help offset the Libby Asbestos Settlement costs.
- ◆ House Bill 377 of the 63rd (2013) Legislative Session requires an annual, ongoing transfer of \$25 million to the Teacher Retirement System. The first transfer occurred on July 1, 2013.
- ◆ Senate Bill 57 of the 64th (2015) Legislative Session required the department to transfer to the Department of Natural Resources and Conservation \$1,060,395 from the General Fund for water rights adjudication in FY 2016.
- ◆ House Bill 454 of the 63rd (2013) Legislative Session requires the department to transfer Coal Severance Tax and Interest from the General Fund to MPERA. The FY 2015 transfer was \$15,444,445 for tax and \$16,033,605 for interest. The FY 2016 transfer was \$14,235,649 for tax and \$16,076,171 for interest.
- ◆ House Bill 354 of the 63rd (2013) Legislative Session required the department to transfer from the General Fund to the fire suppression fund the unencumbered balance of the \$16 million statutory appropriation for disaster and emergencies; the unencumbered amount of reverted General Fund appropriation; and the General Funds collected in excess of \$156.2 million in FY 2014 and \$157.5 million in FY 2015. The amounts

transferred in FY 2015 totaled \$3,653,421, while the amounts transferred in FY 2016 totaled \$50,309,602.

- ◆ House Bill 11 of the 63rd (2013) Legislative Session required the department to transfer \$8.4 million from the General Fund to the Treasure State Endowment Regional Water System Fund in FY 2015.
- ◆ The department administers the Long Range Building and Long Range Information Technology programs. House Bills 10 and 403 of the 64th (2015) Legislative Session mandated that the department receive \$10.3 million for the Long Range Information Technology Program and \$1,000,000 for the Long Range Building Program from the state's General Fund for various approved long range projects.

7. Reorganization

The Department completed one reorganization at the beginning of FY 2015 and another at the beginning of FY 2016. The first included moving financial positions from various divisions to the Director's Office of Finance and Budget to centralize the accounting and budgeting functions. The move transferred the following amounts of FTE and spending authority for the FY 2015 biennium from the following divisions/bureaus:

Division Transferred From	FTE	Spending Authority
General Services Division (GSD) Facilities Management Bureau	1.50	\$80,168
GSD Print & Mail Services	3.00	\$174,891
State Human Resource Division	2.00	\$118,955
Total	6.50	\$374,014

The second reorganization moved the Procurement Bureau from GSD to the State Financial Services Division to streamline the procurement functions by aligning many of the new technology-based business processes to improve support for customers. The move transferred 11.75 FTE and \$2,095,922 in spending authority for the FY 2017 biennium.

8. Other

General Fund Transfers In - The Montana Lottery, which is allocated to the Department of Administration, transfers net profits to the general fund. The transfer amount was \$12.4 million in FY 2015 and \$12.0 million in FY 2016.

Montana State Lottery – Other Expenses - The majority of these expenses are lottery prize payments, either to the Multi-State Lottery Association or to individual winners.

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

B-1

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedules of Changes in Fund Equity & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Administration (department) for each of the fiscal years ended June 30, 2016, and 2015, and the related notes to the financial schedules, and have issued our report thereon dated September 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedules, we considered department's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial schedules will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination on financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

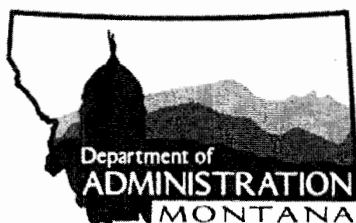
/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

September 28, 2016

DEPARTMENT OF
ADMINISTRATION

DEPARTMENT RESPONSE



MONTANA DEPARTMENT OF ADMINISTRATION

"the backbone of state government"

Director's Office

Steve Bullock, Governor • Sheila Hogan, Director

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LEGISLATIVE AUDIT DIV.

November 29, 2016

Mr. Angus Maciver
Legislative Auditor
Legislative Audit Division
PO Box 201705
Helena, MT 59620-1705

RE: Financial Compliance Audit #16-13: Department of Administration for the
Two Fiscal Years Ended June 30, 2016

Dear Mr. Maciver,

The Department of Administration has reviewed the Financial Compliance Audit for the two fiscal years ending June 30, 2016.

The department appreciates the unmodified opinion on its financial schedules on a regulatory basis of accounting.

Our responses to the recommendations appear below.

Recommendation #1

We recommend the Department of Administration comply with state law by not processing transactions to a fund with negative cash or requiring inter-entity loans.

Response:

Concur. The department has already changed their procedures to require an inter-entity loan if a fund type is negative for more than seven working days during the fiscal year.

Recommendation #2

We recommend the Department of Administration adjust rates to ensure fees are commensurate with costs for SABHRS, Management Services, Workers'

Compensation Management, Warrant Writing, and Group Benefits, as required by state law.

Response:

Concur. The department will strive to make fees commensurate with costs. The department corrected all four of the internal service funds identified as having the same audit recommendation during the last audit.

The Health Care and Benefits Division (HCBBD) adopted the Risk Based Capital formula for Underwriting Risk as the measure of recommended plan reserves. HCBBD manages benefit and financial strategies to maintain appropriate reserve levels. The plan experienced significant cost and utilization increases over the past three years, which brought the reserves below the recommended levels. HCBBD has implemented changes to plan design, provider contracting, contribution strategy, and other cost containment measures to bring the reserve levels back to the recommended target.

Recommendation #3

We recommend the Department of Administration improve internal controls by obtaining and reviewing supporting documentation from other agencies related to deposits, transfers, and disbursements.

Response:

Concur. The department will improve its internal controls and request a reasonable amount of documentation that supports the transactions for deposits, transfers, and disbursements. However, it is not the department's responsibility to audit all of the underlying data and calculations.

Excluding the data provided by the Department of Revenue for mineral impact to counties, none of these funds leave the state treasury. Much of this activity is controlled by an appropriation or a revenue estimate.

Recommendation #4

We recommend the Department of Administration implement internal controls and comply with federal regulations related to subrecipient monitoring for the School and Roads - Grants to States program to ensure:

- A. Risk assessments are conducted for purposes of determining the appropriate subrecipient monitoring procedures.

B. Subrecipients use federal School & Roads – Grants to States funds for allowable purposes by conducting “during the award monitoring,” issuing management decisions within the six-month time frame, with all required elements, and conducting follow-up on audit findings.

Response:

- A. **Concur.** The department will implement internal controls so that an annual risk assessment is performed.
- B. **Partially Concur.** The department does not consider during-the-award monitoring to be cost beneficial. The department performs pre- and post-award monitoring of all counties.

The department will periodically monitor A-133 audit submissions for findings regarding CFDA 10.665 and will implement controls so that management decisions are issued within six months with the correct information and that timely and appropriate corrective action is taken.

Recommendation #5

We recommend the Department of Administration follow the established internal control procedures to ensure money appropriated for long-range information technology capital projects is spent only on approved projects.

Response:

Concur. The State CIO currently oversees and reports HB 10 Long Range Information Technology Project (LRITP) status to the Legislative Finance Committee on a quarterly basis, which includes financial reporting and an earned value evaluation on each project.

The State Information Technology Services Division (SITSD) will improve its financial communication and internal controls with agencies in order to better track expenditures and cash flow attributed to each LRITP. This process will improve and compliment the current information being presented to the LFC (IT Project Dashboard Report) and ensure proper oversight of HB 10 funds. In order to improve cash flow transparency, requests will be submitted to the State Accounting Bureau as needed to give agencies access to the capital project fund where the HB 10 appropriation is initially budgeted. The financial reporting requirements will be communicated in a Memorandum of Understanding (MOU) agreement between SITSD and the appropriate agency for their approved LRITPs. SITSD will maintain monthly financial reports on the overall HB 10 appropriations to monitor balances against cash flow. The

monthly financial reports will also be provided to SITSD and the Director's Office of Finance & Budget internal auditor for review.

Recommendation #6

We recommend the Department of Administration:

- A. Implement internal control procedures to ensure that all capital projects and related costs are included in construction work-in-progress entries.
- B. Record software enhancements and account for construction work-in-progress entries in accordance with state accounting policy.

Response:

Concur. The department is currently emphasizing capital asset accounting, including inventory control. Our procedures will be updated. More than one person will review the fiscal-year-end calculations related to construction work-in-progress and software enhancements.

Recommendation #7

We recommend the Department of Administration:

- A. Enhance internal controls to ensure the Cash Management Improvement Act spreadsheets are accurate.
- B. Comply with the Cash Management Improvement Act by including accurate clearance pattern and percentage on the spreadsheets.

Response:

Concur. The department will improve its internal control over the accuracy of the CMLA interest calculation spreadsheets by reviewing the templates used by agencies and by continuing to review the agency completed spreadsheets for consistency and reasonableness. However, it is not the department's responsibility to audit all of the underlying data provided by the agency.

Recommendation #8

We recommend the Department of Administration comply with state law:

- A. By submitting fees to the State Auditor's Office by March 1st of each year.

- B. By distributing the amount determined by state law to wireless providers to reimburse the unpaid balances carried over by 9-1-1 wireless providers within 45 days of fiscal year-end.

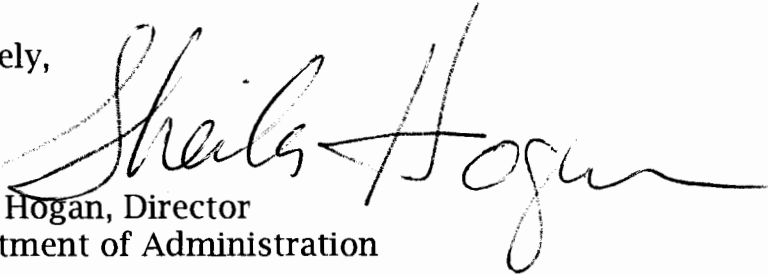
Response:

Concur. The department will develop processes to meet the required deadlines for these two disbursements.

I want to recognize and thank you and your staff for your work during this audit. We always look upon the audit process as an opportunity to improve the department's operations and performance.

The Department's Corrective Action Plan (CAP) is enclosed.

Sincerely,


Sheila Hogan, Director
Department of Administration

Enclosure

Department of Administration
Corrective Action Plan (CAP): Audit Report #16-13
Financial Compliance Audit for the Two Fiscal Years Ended June 30, 2016
November 29, 2016

Agency	Recommendation #	Does this affect a federal program?	CFDA # (if previous YES)	Management View	CAP – Corrective Action Plan	Person responsible for CAP	Target Date
61010	Recommendation #1 We recommend the Department of Administration comply with state law by not processing transactions to a fund with negative cash or requiring inter-entity loans.	No	N/A	Concur	The department has already changed their procedures to require an inter-entity loan if a fund type is negative for more than seven working days during the fiscal year.	Cheryl Grey	11/15/2016
61010	Recommendation #2 We recommend the Department of Administration adjust rates to ensure fees are commensurate with costs for SABHRS, Management Services, Workers' Compensation Management, Warrant Writing, and Group Benefits, as required by state law.	No	N/A	Concur	The department will strive to make fees commensurate with costs. The department corrected all four of the internal service funds identified as having the same audit recommendation during the last audit. The Health Care and Benefits Division (HCBBD) adopted the Risk Based Capital formula for Underwriting Risk as the measure of recommended plan reserves. HCBBD manages benefit and financial strategies to maintain appropriate reserve levels. The plan experienced significant cost and utilization increases over the past three years, which brought the reserves below the recommended levels. HCBBD has implemented changes to plan design, provider contracting, contribution strategy, and other cost containment measures to bring the	Mark Bruno Marilyn Bartlett	7/1/2018 1/1/2017

Department of Administration
Corrective Action Plan (CAP): Audit Report #16-13
Financial Compliance Audit for the Two Fiscal Years Ended June 30, 2016
November 29, 2016

Agency	Recommendation #	Does this affect a federal program?	CFDA # (if previous YES)	Management View	CAP – Corrective Action Plan	Person responsible for CAP	Target Date
					reserve levels back to the recommended target.		
61010	Recommendation #3 We recommend the Department of Administration improve internal controls by obtaining and reviewing supporting documentation from other agencies related to deposits, transfers, and disbursements.	No	N/A	Concur	The department will improve its internal controls and request a sufficient amount of documentation that supports the transactions for deposits, transfers, and disbursements. However, it is not the department's responsibility to audit all of the underlying data and calculations. Excluding the data provided by the Department of Revenue for mineral impact to counties, none of these funds leave the state treasury. Much of this activity is controlled by an appropriation or a revenue estimate.	Mark Bruno	1/1/2017

Department of Administration
Corrective Action Plan (CAP): Audit Report #16-13
Financial Compliance Audit for the Two Fiscal Years Ended June 30, 2016
November 29, 2016

Agency	Recommendation #	Does this affect a federal program?	CFDA # (if previous YES)	Management View	CAP – Corrective Action Plan	Person responsible for CAP	Target Date
61010	Recommendation #4 We recommend the Department of Administration implement internal controls and comply with federal regulations related to subrecipient monitoring for the School and Roads – Grants to States program to ensure: A. Risk assessments are conducted for purposes of determining the appropriate subrecipient monitoring procedures. B. Subrecipients use federal School & Roads – Grants to States funds for allowable purposes by conducting “during the award monitoring,” issuing management decisions within the six-month time frame, with all required elements, and conducting follow-up on audit findings.	Yes	10.665	Concur	The department will implement internal controls so that an annual risk assessment is performed.	Mark Bruno	4/30/2017
				Partially Concur	The department does not consider during-the-award monitoring to be cost beneficial. The department performs pre- and post-award monitoring of all counties. The department will periodically monitor A-133 audit submissions for findings regarding CFDA 10.665 and will implement controls so that management decisions are issued within six months with the correct information and that timely and appropriate corrective action is taken.	Mark Bruno	6/30/2017

Department of Administration
Corrective Action Plan (CAP): Audit Report #16-13
Financial Compliance Audit for the Two Fiscal Years Ended June 30, 2016
November 29, 2016

61010	<p>Recommendation #5</p> <p>We recommend the Department of Administration follow the established internal control procedures to ensure money appropriated for long-range information technology capital projects is spent only on approved projects.</p>	No	N/A	Concur	<p>The State CIO currently oversees and reports HB 10 Long Range Information Technology Project (LRITP) status to the Legislative Finance Committee on a quarterly basis, which includes financial reporting and an earned value evaluation on each project.</p> <p>The State Information Technology Services Division (SITSD) will improve its financial communication and internal controls with agencies in order to better track expenditures and cash flow attributed to each LRITP. This process will improve and complement the current information being presented to the LFC (IT Project Dashboard Report) and ensure proper oversight of HB 10 funds. In order to improve cash flow transparency, requests will be submitted to the State Accounting Bureau as needed to give agencies access to the capital project fund where the HB 10 appropriation is initially budgeted. The financial reporting requirements will be communicated in a Memorandum of Understanding (MOU) agreement between SITSD and the appropriate agency for their approved LRITPs. SITSD will maintain monthly financial</p>	Ron Baldwin	1/31/2017
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Department of Administration
Corrective Action Plan (CAP): Audit Report #16-13
Financial Compliance Audit for the Two Fiscal Years Ended June 30, 2016
November 29, 2016

Agency	Recommendation #	Does this affect a federal program?	CFDA # (if previous YES)	Management View	CAP – Corrective Action Plan	Person responsible for CAP	Target Date
					reports on the overall HB 10 appropriations to monitor balances against cash flow. The monthly financial reports will also be provided to SITSD and Director's Office of Finance & Budget internal auditor for review.		
61010	Recommendation #6 We recommend the Department of Administration: A. Implement internal control procedures to ensure that all capital projects and related costs are included in construction work-in-progress entries. B. Record software enhancements and account for construction work-in-progress entries in accordance with state accounting policy.	No	N/A	Concur	The department is currently emphasizing capital asset accounting, including inventory control. Our procedures will be updated. More than one person will review the fiscal-year-end calculations related to construction work-in-progress and software enhancements.	Mark Bruno	7/31/2017

Department of Administration
Corrective Action Plan (CAP): Audit Report #16-13
Financial Compliance Audit for the Two Fiscal Years Ended June 30, 2016
November 29, 2016

Agency	Recommendation #	Does this affect a federal program?	CFDA # (if previous YES)	Management View	CAP – Corrective Action Plan	Person responsible for CAP	Target Date
61010	Recommendation #7 We recommend the Department of Administration: A. Enhance internal controls to ensure the Cash Management Improvement Act spreadsheets are accurate. B. Comply with the Cash Management Improvement Act by including accurate clearance pattern and percentage on the spreadsheets.	Yes	21.999	Concur	The department will improve its internal control over the accuracy of the CMIA interest calculation spreadsheets by reviewing the templates used by agencies and by continuing to review the agency completed spreadsheets for consistency and reasonableness. However, it is not the department's responsibility to audit all of the underlying data provided by the agency.	Cheryl Grey	7/1/2017
61010	Recommendation #8 We recommend the Department of Administration comply with state law: A. By submitting fees to the State Auditor's Office by March 1st of each year. B. By distributing the amount determined by state law to wireless providers to reimburse the unpaid balances carried over by 9-1-1 wireless providers within 45 days of fiscal year-end.	No	N/A	Concur	The department will develop processes to meet the required deadlines for these two disbursements.	Marilyn Bartlett Ron Baldwin	3/1/2017 8/15/2017